

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

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**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**LEGEND**

**UIL 4945.04-04**

X = name of organization  
S = name of program  
Z = geographic location  
W = high schools  
k = amounts of scholarships  
y = number of students in senior class  
u = number of applicants

Dear \_\_\_\_\_ :

We have considered your request, dated July 8, 2009, for advance approval of a grant-making program under section 4945(g)(1) of the Internal Revenue Code.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program called S that annually will award scholarships to students graduating from high school and proceeding to a technical school or university. Eligible recipients will be graduating seniors of W located in Z. X will notify the eligible schools of the available scholarships. It will be the responsibility of the high schools' guidance counselors to advise students of the availability of the scholarships. The number and amounts of the scholarships will be determined by vote of the Board of X at its annual budget meeting, based on available funds for the coming year. The scholarships will be awarded in amounts in the range of k.

The selection criteria include:

- Must be a graduating senior from W who is attending an accredited 2 or 4 year college or university
- Prior academic performance
- Letters of reference,
- Extracurricular activities
- Community involvement

- Leadership opportunities taken
- Current issues essay
- Ability to write clearly
- Good appearance
- Confidence in themselves
- Some goals
- Some understanding of what the college experience will demand of them
- A passion to learn

Applicant must complete the following:

- Application form
- Provide a copy of most recent transcript
- 300 – 750 word essay focusing on a current event topic the applicant feels strongly about and should convey their strong feelings, offer ideas that may help to resolve the issues when appropriate
- 2 Reference Letters

The average senior class enrollment of  $W$  is  $y$  where the number of applicants for the scholarship is  $u$ .

The selection committee will consist of at least 3 board members of  $X$ . The members of the selection committee all have secondary school education. They have varying backgrounds and ages to draw on to judge the character and probable future performance of the applicants. No applicants will be considered for the scholarship who have any relationship to any of the persons on the board of directors or their family members. Applications are read and rated by the selection committee, and applicants are chosen to be interviewed by the selection committee. The interviews are also rated. All persons on the selection committee complete a rating form for each applicant. The forms are accumulated and averaged, then sorted from the highest ranking to the lowest, on average.

All scholarships will be paid directly to the financial aid office of the recipient's chosen college or university and will be paid only for recipients who are enrolled and are in good standing with the institution. Before the check is written to the school the student must supply  $X$  with documents to show that enrollment has been accomplished. The checks will be sent with a cover letter stating that the school can use the funds only for tuition in the next school year. If the student decides not to attend or discontinues for any reason, the school is to refund the money to  $X$ . If  $X$  discovers that a student withdrew and the funds were not refunded to  $X$ ,  $X$  will contact the school to make sure the funds were not refunded to the student.

The scholarship amount usually only covers the cost of one semester. To qualify for scholarship renewal the recipient must be in good standing at an accredited 2 or 4 year college or university. Names, addresses, amount of scholarship and college attended will be kept with the corporate records of  $X$ .

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements